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MEDIA RELEASE

Home Building in Victoria is Starting to Cool

“After a long and sustained boom, residential building activity in Victoria is cooling,” said Fiona Nield, HIA Executive Director, Victoria.

HIA released its quarterly economic and industry outlook report for Victoria. It includes updated forecasts for new home building and renovations activity for Victoria for the next four years.

“Victoria experienced a new home building upswing that has spanned five years, taking activity to levels well above previous peaks. This growth cycle has now come to an end.

“We have been watching leading indicators of home building activity soften since it became evident how significantly the home lending landscape had changed.

“APRA initially introduced regulations designed to curb high risk lending practices, but the actual changes in the lending environment go above and beyond this. Ordinary home buyers now find themselves facing some constraints accessing finance.

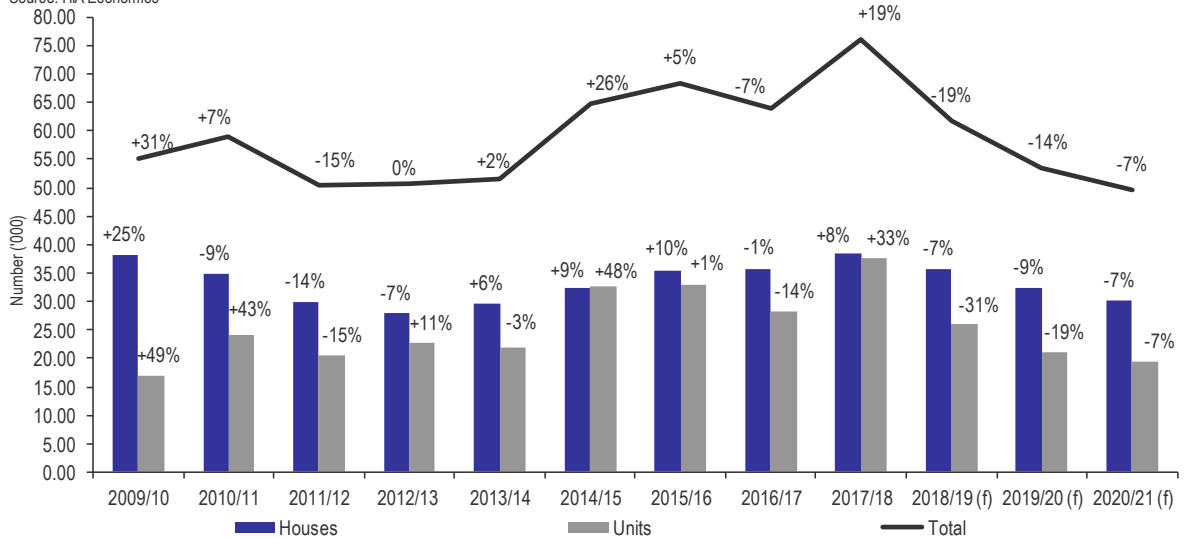
“Slower processing and a reduction in lending is weighing significantly on the housing market. The impact on residential building activity will become more evident as we progress into the new year.

“We expect a downturn in new home building to begin in 2018/19, with new home starts forecast to fall by 34.8 per cent from their recent peak by 2020/21. This would leave total housing starts at just under 50,000 homes in 2020/21, not too far below the average of the past decade.

“Victoria is in a strong position to handle this downturn: the state’s labour market is in a strong position, economic growth has outpaced the national average for the last four years and population growth continues to fuel demand for more housing.

New Housing Forecast, by Type, VIC Dwelling Starts

Source: HIA Economics



For further information please contact:

Fiona Nield

Executive Director, Victoria 0419 751 187